

**Internal Revenue Service**

Number: **201538023**

Release Date: 9/18/2015

Index Number: 414.08-00

Department of the Treasury

Washington, DC 20224

Third Party Communication: None

Date of Communication: Not Applicable

Person To Contact:

, ID No.

Telephone Number:

Refer Reply To:

CC:TEGE:EB:QP3

PLR-T-103141-15

Date:

June 17, 2015

Entity A =

Entity B =

Entity C =

Church D =

Principle E =

State F =

State G =

Plan X =

Committee P =

Dear :

This letter responds to the letter dated March 28, 2013, as supplemented by correspondence dated June 27, 2013, July 8, 2013, July 19, 2013, November 6, 2013, November 26, 2013, and December 13, 2013, submitted on your behalf by your authorized representative, requesting a ruling that Plan X is a church plan within the meaning of section 414(e) of the Internal Revenue Code.

The following facts and representations have been submitted under penalty of perjury in support of the rulings requested:

Church D is a community of congregations. The highest constituted authority of Church D is its annual meeting, which serves as Church D's highest deliberative and decision-making body. The Church D annual meeting elects Church D leaders and oversees the Church D council of administrators and Church D council of superintendents, which oversee Church D ministries and missions. These Church D governing bodies have responsibility for maintaining Church D ministries and missions in accordance with Church D faith and values. The Church D executive board maintains standing

committees that oversee its missions. Members of the standing committee of Principle E develop Church D executive board policies for its ministries of Principle E.

In addition, the Church D executive minister of Principle E advises the standing committee of Principle E. The executive minister of Principle E is accountable to the president of Church D and is charged with supporting and promoting Church D ministries of Principle E.

Church D established Entity C, a not for profit corporation organized under the laws of State G as a ministry of Church D that manifests the values of Church D and acts as a Church D mission of Principle E. The purpose of Entity C is to serve as a ministry and mission of Church D and to administer the benevolent institutions established by Church D and the properties of these institutions. Each member of the board of directors of Entity C must be a member of a congregation of Church D and is selected at the annual meeting of Church D, the highest constituted authority of Church D. The president of Church D is an ex officio member of the board of directors of Entity C.

Entity B is a Church D ministry and mission that is a not for profit corporation organized under the laws of State G. Entity C is the sole member of Entity B. Church D established Entity B to fulfill Church D values and as a Church D mission of Principle E. Entity B is organized and operated to benefit, perform the functions of, and carry out the purposes of Church D by providing leadership, guidance and coordination to Church D ministries that promote and implement Church D values of Principle E to bear upon the needs of the world. Church D mission Entity C has the authority to appoint and remove the directors of Entity B. Ex officio voting members of the board of directors of Entity B include the president of Entity B, the president of Entity C, the chair of the board of Entity C (or a designee) and the president of Church D. A majority of the elected directors must be members of a Church D congregation. The board of directors is responsible for managing the affairs of Entity B.

Entity A is a non-stock corporation organized under the laws of State F. Pursuant to the bylaws of Entity A, the primary purpose of Entity A is fulfill Entity B's mission as part of Church D to carry out Church D principles through the provision of mental health, habilitation and educational services to children, adolescents and families in need on behalf of Entity C through Entity B. Entity A is a licensed and certified residential treatment facility for young people, and operates a campus program. It also operates specialized educational, community and residential programs for youth with autism, is developing emergency and transitional respite programs, and is a qualified provider of a number of services for persons with developmental disabilities. Entity B is the sole member of Entity A. Entity A's board of directors controls the management of its affairs. The president of Entity C, the superintendent of a regional conference of Church D, the president of Entity B, and the president of Entity A are ex-officio voting directors of Entity A. A majority of the directors of Entity A must be members of a Church D congregation (taking into account the ex officio members in determining the majority). Currently all of the directors of Entity A are Church D members.

Entity B has the authority to appoint and remove the members of Entity A's board of directors, to appoint and remove the chairman of the board and the president, to approve major changes in the policy of Entity A, to approve major borrowing by Entity A, and to approve the acquisition or disposition of real property used in Entity A's ministry.

Both Entity B and Entity C must approve the dissolution of Entity A. In the event of the dissolution of Entity A, all of Entity A's property (after the payment of Entity A's liabilities and obligations) must be distributed equally to Entity B and to Church D, and/or to other ministries selected by Entity B and Church D.

Church D lists Entity C, Entity B and Entity A as subordinate organizations included in the Group Exemption Letter that was issued by the Internal Revenue Service ("IRS") to Church D, and which provides that Church D and its subordinates are organizations described in section 501(c)(3) that are tax-exempt under section 501(a).

Entity A adopted Plan X, a defined benefit pension plan, effective as of April 1, 1971. Subsequently, Plan X was frozen with respect to all employees hired or rehired on or after July 1, 2007. Plan X received a favorable determination letter from the IRS, dated August 31, 2011. Entity A has not made an election for Plan X under section 410(d).

All of the eligible participants in Plan X are employed by Entity A. None of the eligible participants in Plan X include employees of for profit entities, and none of the eligible participants in Plan X are employed in connection with one or more unrelated trades or businesses within the meaning of section 513.

Committee P is the administrator of Plan X. Committee P was established by resolution of the Board of Directors of Entity A on December 12, 2013, which requires all members of Committee P to be members of Church D. Committee P has three members, consisting of the superintendent of a regional conference of Church D, the president of Entity B, and the president of Entity C.

In accordance with Revenue Procedure 2011-44, Entity A provided notice to Plan X participants and other interested persons on March 18, 2013, indicating that a request for a letter ruling confirming that Plan X is a church plan was being submitted to the IRS. This notice explained the consequences of church plan status in accordance with Revenue Procedure 2011-44.

Entity A is requesting a private letter ruling confirming that Plan X is a church plan under section 414(e).

Section 414(e)(1) generally defines a church plan as a plan established and maintained for its employees (or their beneficiaries) by a church or a convention or association of churches which is exempt from taxation under section 501.

Section 414(e)(2) provides, in part, that the term “church plan” does not include a plan that is established and maintained primarily for the benefit of employees (or their beneficiaries) of such church or convention or association of churches who are employed in connection with one or more unrelated trades or businesses (within the meaning of section 513); or if less than substantially all of the individuals included in the plan are individuals described in section 414(e)(1) or section 414(e)(3)(B) (or their beneficiaries).

Section 414(e)(3)(A) provides that a plan established and maintained for its employees (or their beneficiaries) by a church or a convention or association of churches includes a plan maintained by an organization, whether a civil law corporation or otherwise, the principal purpose or function of which is the administration or funding of a plan or program for the provision of retirement benefits or welfare benefits, or both, for the employees of a church or a convention or association of churches, if such organization is controlled by or associated with a church or a convention or association of churches.

Section 414(e)(3)(B) generally defines “employee” of a church or a convention or association of churches to include a duly ordained, commissioned, or licensed minister of a church in the exercise of his or her ministry, regardless of the source of his or her compensation, and an employee of an organization, whether a civil law corporation or otherwise, which is exempt from tax under section 501, and which is controlled by or associated with a church or a convention or association of churches.

Section 414(e)(3)(C) provides that a church or a convention or association of churches which is exempt from tax under section 501 shall be deemed the employer of any individual included as an employee under subparagraph (B).

Section 414(e)(3)(D) provides that an organization, whether a civil law corporation or otherwise, is associated with a church or a convention or association of churches if it shares common religious bonds and convictions with that church or convention or association of churches.

Section 414(e)(4) provides that if a plan established and maintained for its employees (or their beneficiaries) by a church or by a convention or association of churches which is exempt from tax under section 501 fails to meet one or more of the church plan requirements and corrects its failure to meet such requirements within the correction period, the plan shall be deemed to meet the requirements of this subsection for the year in which the correction was made and for all prior years. The correction period generally ends no earlier than 270 days after the date of mailing an IRS notice of default with respect to the plan’s failure to meet the church plan requirements.

Revenue Procedure 2011-44, 2011-39 IRB 446, supplements the procedures for requesting a letter ruling under section 414(e) relating to church plans. The revenue procedure: (1) requires that plan participants and other interested persons receive a notice in connection with a letter ruling request under section 414(e) for a qualified plan;

(2) requires that a copy of the notice be submitted to the IRS as part of the ruling request; and, (3) provides procedures for the IRS to receive and consider comments relating to the ruling request from interested persons.

In order for an organization that is not itself a church or convention or association of churches to have a qualified church plan, it must establish that its employees are employees or deemed employees of a church or convention or association of churches under section 414(e)(3)(B) by virtue of the organization's control by or association with the church or convention or association of churches. Employees of any organization maintaining a plan are considered to be church employees if the organization: (1) is exempt from tax under section 501; and (2) is controlled by or associated with a church or convention or association of churches. In addition, in order to be a church plan, the administration or funding (or both) of the plan must be by an organization described in section 414(e)(3)(A). To be described in section 414(e)(3)(A), an organization must have as its principal purpose the administration or funding of the plan and must also be controlled by or associated with a church or convention or association of churches.

In this case, Entity A is a non-profit corporation which is exempt from federal income tax under section 501(a) as an organization described in section 501(c)(3). Entity A is included in the group exemption letter of Church D. The primary purpose of Entity A is to operate as a mission of Church D to carry out Church D principles through the provision of mental health, habilitation and educational services to children, adolescents and families in need. Entity A is governed by a Board of Directors, the majority of whom are required to be members of Church D. Currently all of the directors are members of Church D. Entity B, a mission of Church D, is the sole member of Entity A and has the authority to appoint and remove the members of Entity A's board of directors, to appoint and remove the chairman of the board and the president, to approve major changes in the policy of Entity A, to approve major borrowing by Entity A, and to approve the acquisition or disposition of real property used in Entity A's ministry.

Both Entity B and Entity C must approve the dissolution of Entity A. In the event of the dissolution of Entity A, all of Entity A's property (after the payment of Entity A's liabilities and obligations) must be distributed equally to Entity B and to Church D, and/or to other ministries selected by Entity B and Church D.

In view of the relationship described above between Entity A and Church D, we conclude that Entity A is associated with a church or convention or association of churches for purposes of section 414(e)(3). We further conclude that the employees of Entity A meet the definition of employee under section 414(e)(3)(B), and that they are deemed to be employees of a church or a convention or association of churches pursuant to section 414(e)(3)(C).

The administrative control of Plan X is vested in Committee P. Committee P is associated with Church D through the membership on Committee P of a leader of a Church D regional conference, as well as the presidents of Entity B and Entity C, both of

whom are Church D leaders and Church D members. Thus, we conclude that Plan X is maintained by an organization that is controlled by or associated with a church or convention or association of churches, and the principal purpose or function of which is the administration of Plan X. In addition, although Committee P was not established until December 2013, Committee P was established within the correction period set forth in section 414(e)(4)(C). Therefore, we conclude that the administration of Plan X satisfies the requirements regarding church plan administration under section 414(e)(3)(A) currently and for all prior years.

Based on the foregoing facts and representations, we conclude that Plan X is a church plan within the meaning of section 414(e).

This letter expresses no opinion as to whether Plan X satisfies the requirements of section 401(a).

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

Laura B. Warshawsky  
Senior Tax Law Specialist  
Qualified Plans Branch 2  
(Tax Exempt & Government Entities)

cc: